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EXCLUSIVE

The Biggest Delivery Business in the U.S. Is No Longer UPS or FedEx

Amazon is eclipsing both carriers, and the gap is growing

By Dana Mattioli Follow *and Esther Fung* Follow | *Photographs by Bryan Anselm for The Wall Street Journal*

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Amazon.com AMZN **0.95%** ▲ has grabbed the crown of biggest delivery business in the U.S., surpassing both UPS UPS **2.09%** ▲ and FedEx FDX **1.16%** ▲ in parcel volumes.

The Seattle e-commerce giant delivered more packages to U.S. homes in 2022 than UPS, after eclipsing FedEx in 2020, and it is on track to widen the gap this year, according to internal Amazon data and people familiar with the matter. The U.S. Postal Service is still the biggest parcel service by volume; it handles hundreds of millions of packages for all three companies.

A decade ago Amazon was a major customer for UPS and FedEx, and some executives from the incumbents and analysts mocked the notion that it could someday supplant them. Amazon's outsize growth combined with strategy shifts at FedEx and UPS have changed the balance.

Before Thanksgiving this year, Amazon had already delivered more than 4.8 billion packages in the U.S., and its internal projections predict that it will deliver around 5.9 billion by the end of the year, according to documents viewed by The Wall Street Journal. Last year Amazon shipped 5.2 billion packages.

Amazon's figures include only packages that Amazon shipped from beginning to end. UPS and FedEx include packages they hand off to the postal service for final delivery in their tallies.

UPS has said that its domestic volume this year is unlikely to exceed last year's 5.3 billion, which includes packages delivered to customers through the postal service. In the first nine months this year, UPS handled around 3.4 billion parcels domestically.

As Amazon's share of deliveries has increased, FedEx and UPS have said in recent years they weren't in a race for volume and were instead focused on delivering more profitable parcels. FedEx parted ways with Amazon in 2019. Amazon accounts for about 11% of UPS's revenue.

The logistics milestone came without any fanfare from Amazon, which is the subject of a lawsuit from the Federal Trade Commission over the way it competes.

"There's not a lot of perceived value in chest thumping on being the biggest," said a former senior Amazon logistics executive about the milestone. Instead of a celebration marking the jump on the leaderboard, Amazon executives high-fived and got back to work, one recalled.

Overall parcel volume has dipped this year, as consumers cut back on spending on goods and diverted their expenditure to services, travel and entertainment.

Amazon's rise to the top carrier was once viewed as farcical by logistics CEOs. In 2016, FedEx's then-CEO Fred Smith dismissed the notion of Amazon becoming a threat to the logistics giant as "fantastical." "In all likelihood, the primary deliverers of e-commerce shipments for the foreseeable future will be UPS, the U.S. Postal Service and FedEx," Smith said at the time.

At the time of Smith's comments, Amazon was in a distant third place behind UPS and FedEx. But the company in the subsequent years made up the ground, building out one of the largest logistics networks in the world.

Amazon has moved to regionalize its logistics network to reduce how far packages travel across the U.S.

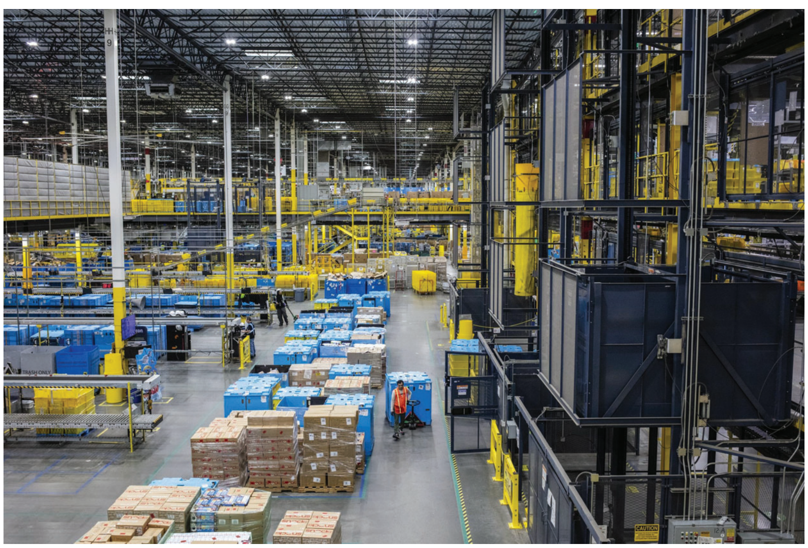
In 2018, Amazon launched a program where entrepreneurs could start their own franchise

drivers in the U.S., helping the company rapidly accelerate the number of packages it was able to deliver each day, say former executives.

Early in the pandemic, Amazon saw a pivotal moment to expand its e-commerce reach. The company opened hundreds of new warehouses, sorting centers and other logistics facilities, almost doubling the size of its network between the start of the pandemic and late 2021. The build out was led largely by Amazon's former CEO of consumer, Dave Clark, who before that role was a major architect of Amazon's logistics network.

Amazon has moved to regionalize its logistics network to reduce how far packages travel across the U.S. in an effort to get products to customers faster and improve profitability. "These delivery speed improvements have been a key driver of growth and are resulting in increased purchase frequency by our Prime members," said Amazon CFO Brian Olsavsky in a recording of a companywide meeting earlier this month heard by the Journal.

An Amazon spokeswoman said its delivery progress is due in large part to the route franchise program. The company will continue to work with other delivery partners and carriers to help handle additional capacity, she added.



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FedEx said it is focused on the e-commerce market beyond Amazon. "Our strategy is to democratize e-commerce," said a spokeswoman from FedEx. She added that FedEx has taken market share in segments of the U.S. domestic package market this calendar year.

In recent years, UPS leaned into higher-margin parcels from other customer segments

deliveries to residential addresses. A UPS spokesman said, "Amazon is an important customer and our relationship is mutually beneficial."

While Amazon has surpassed both companies on residential delivery, it has yet to replicate their global coverage or the flip side of their operations. "Amazon is very good at the one-way network, delivering goods at faster speeds but it doesn't have the same level of pick-up and delivery coverage," said Brian Ossenbeck, an analyst at JP Morgan.

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